

LUVERNE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2009

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Independent Auditor's Report

To the Board of Education of  
LuVerne Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of LuVerne Community School District, LuVerne, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of LuVerne Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2010, on our consideration of LuVerne Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 11 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LuVerne Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

April 29, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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LuVerne Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,105,617 in fiscal 2008 to \$1,166,547 in fiscal 2009, while General Fund expenditures decreased from \$1,090,784 in fiscal 2008 to \$1,050,257 in fiscal 2009. The District's General Fund balance increased from \$93,186 in fiscal 2008 to \$189,479 in fiscal 2009.
- The increase in General Fund revenues was attributable to an increase in property tax revenue in fiscal 2009. The decrease in expenditures was due primarily to a decrease in staff.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of LuVerne Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report LuVerne Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which LuVerne Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

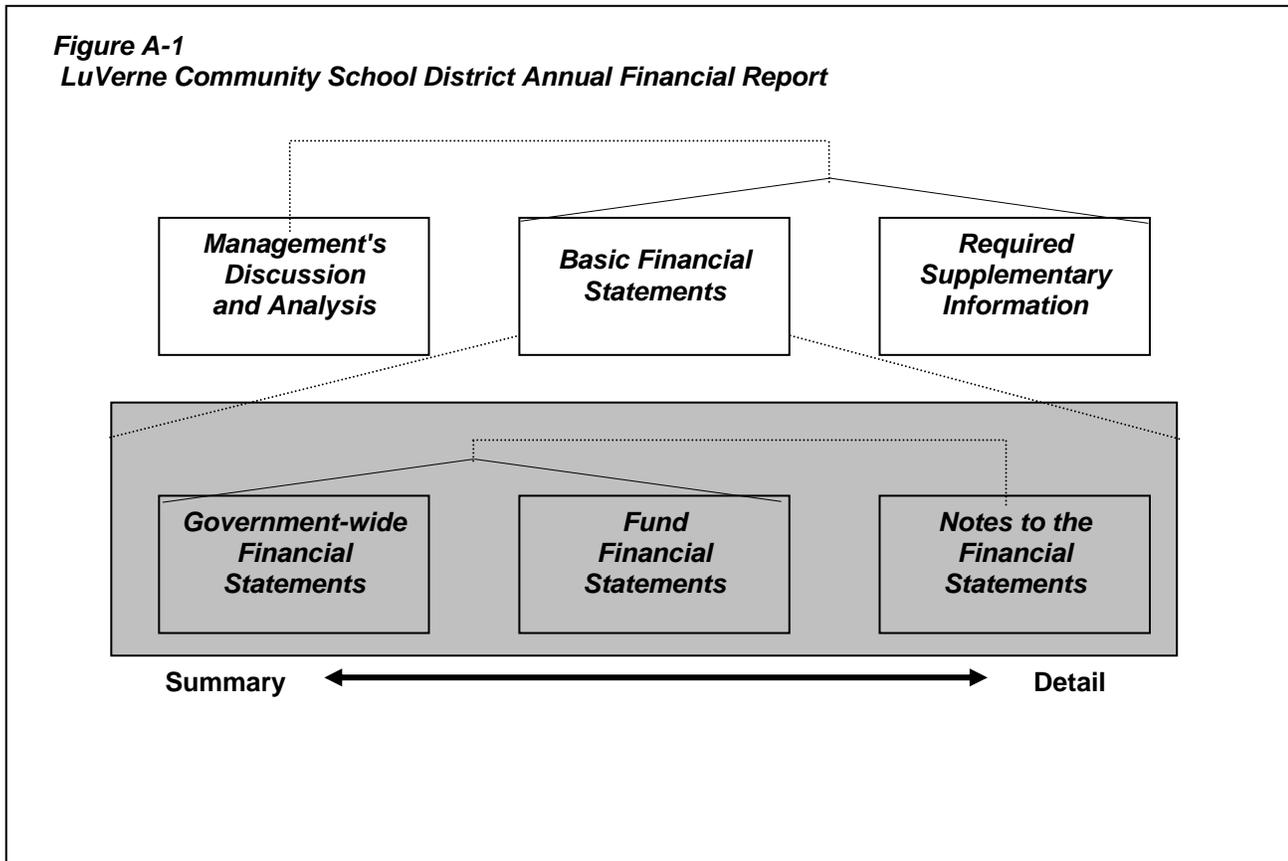


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's employee flexible benefit plan.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.
  - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	1,502,281	1,233,197	2,201	14,240	1,504,482	1,247,437	21%
Capital assets	270,573	232,512	-	627	270,573	233,139	16%
<b>Total assets</b>	<b>1,772,854</b>	<b>1,465,709</b>	<b>2,201</b>	<b>14,867</b>	<b>1,775,055</b>	<b>1,480,576</b>	<b>20%</b>
Long-term liabilities	-	45,065	-	-	-	45,065	-100%
Other liabilities	1,093,331	896,730	7,295	6,872	1,100,626	903,602	22%
<b>Total liabilities</b>	<b>1,093,331</b>	<b>941,795</b>	<b>7,295</b>	<b>6,872</b>	<b>1,100,626</b>	<b>948,667</b>	<b>16%</b>
Net Assets:							
Invested in capital assets, net of related debt	270,573	187,447	-	627	270,573	188,074	44%
Restricted	211,184	229,628	-	-	211,184	229,628	-8%
Unrestricted	197,766	106,839	(5,094)	7,368	192,672	114,207	69%
<b>TOTAL NET ASSETS</b>	<b>679,523</b>	<b>523,914</b>	<b>(5,094)</b>	<b>7,995</b>	<b>674,429</b>	<b>531,909</b>	<b>27%</b>

The District's combined net assets increased by nearly 27%, or approximately \$142,520, over the prior year. The second largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$18,444 or 8% over the prior year. The decrease was primarily a result of increased expenditures in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$78,465, or 69%.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009 %
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	84,030	80,938	10,549	10,535	94,579	91,473	3%
Operating grants & contributions	136,631	152,427	21,948	17,788	158,579	170,215	-7%
Capital grants & contributions	-	25,000	-	-	-	25,000	-100%
General Revenues:							
Property taxes	789,267	694,140	-	-	789,267	694,140	14%
Income Surtax	43,681	40,118	-	-	43,681	40,118	9%
Local option sales tax	58,875	51,464	-	-	58,875	51,464	14%
Unrestricted state grants	196,633	202,578	-	-	196,633	202,578	-3%
Unrestricted investment earnings	1,061	19,109	-	-	1,061	19,109	-94%
Other revenue	-	-	-	-	-	-	0%
<b>Total Revenues</b>	<b>1,310,178</b>	<b>1,265,774</b>	<b>32,497</b>	<b>28,323</b>	<b>1,342,675</b>	<b>1,294,097</b>	<b>4%</b>
Expenses:							
Instruction	659,581	699,025	-	-	659,581	699,025	-6%
Support services	423,489	443,686	-	-	423,489	443,686	-5%
Non-instructional programs	-	-	65,586	60,583	65,586	60,583	8%
Other expenditures	51,499	61,711	-	-	51,499	61,711	-17%
<b>Total expenses</b>	<b>1,134,569</b>	<b>1,204,422</b>	<b>65,586</b>	<b>60,583</b>	<b>1,200,155</b>	<b>1,265,005</b>	<b>-5%</b>
<b>Change in net assets before transfers</b>	<b>175,609</b>	<b>61,352</b>	<b>(33,089)</b>	<b>(32,260)</b>	<b>142,520</b>	<b>29,092</b>	<b>390%</b>
Transfers	(20,000)	(35,000)	20,000	35,000	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>155,609</b>	<b>26,352</b>	<b>(13,089)</b>	<b>2,740</b>	<b>142,520</b>	<b>29,092</b>	<b>390%</b>
Net assets beginning of year	523,914	497,562	7,995	5,255	531,909	502,817	6%
Net assets end of year	679,523	523,914	(5,094)	7,995	674,429	531,909	27%

Property tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$1,310,178 and expenses were \$1,134,569. The District was able to balance the budget by trimming expenses to match available revenues.

- The cost financed by users of the District's programs was \$84,030. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$136,631.
- The net cost of governmental activities was financed with \$891,823 in property and local other taxes and \$196,633 in unrestricted state grants.

## **Business Type Activities**

Revenues for business type activities were \$32,497 and expenses were \$65,586. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The General Fund transferred \$20,000 to the School Nutrition Fund.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, LuVerne Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$370,366, well above last year's ending fund balances of \$303,811.

### **Governmental Fund Highlights**

- The District's General Fund financial position increased \$96,290 during the year. During the year additional property tax revenues resulted in an increase in revenues.
- The General Fund balance increased from \$93,186 to \$189,476.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$20,471 in fiscal 2008 to \$33,761 in fiscal 2009. While property tax revenues remained approximately the same, there were decrease in federal grants and decreases in expenditures.
- The Capital Projects Fund balance decreased \$58,445. The District ended fiscal 2009 with a balance of \$75,299.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$7,995 at June 30, 2008 to \$(5,094) at June 30, 2009, representing a decrease of approximately 154%. For fiscal 2009, the General Fund transferred \$20,000 to the School Nutrition Fund.

## **BUDGETARY HIGHLIGHTS**

LuVerne Community School District amended its 2009 budget one time to increase budgeted expenditures in the other expenditures function.

The District's receipts were \$46,395 more than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving more in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$270,573 thousands, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 16% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$39,639.

The original cost of the District's capital assets was \$1.19 million. Governmental funds account for \$1.16 million, with the remainder of \$0.3 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category.

*Figure A-6*

*Capital Assets (net of depreciation)*

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009 %
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	9,000	9,000	-	-	9,000	9,000	-
Construction in progress	-	-	-	-	-	-	-
Buildings	110,269	48,253	-	-	110,269	48,253	129%
Improvements	59,218	66,280	-	-	59,218	66,280	-11%
Equipment & Furniture	92,086	108,979	-	627	92,086	109,606	-16%
<b>TOTAL</b>	<b>270,573</b>	<b>232,512</b>	<b>-</b>	<b>627</b>	<b>270,573</b>	<b>233,139</b>	<b>16%</b>

### Long-Term Debt

At June 30, 2009, the District had no long-term debt.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2009 enrollment decreased. This drop in enrollment will decrease the District's funding for fiscal year 2011.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact LeAnn Wempen, District Secretary/Treasurer and Business Manager, LuVerne Community School District, LuVerne, IA 50560.

## BASIC FINANCIAL STATEMENTS

## LIVERNE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	166,597	-	166,597
Other	387,634	2,649	390,283
Receivables:			
Property tax:			
Delinquent	13,516	-	13,516
Succeeding year	817,522	-	817,522
Accounts	23,144	140	23,284
Accrued interest -ISCAP	21	-	21
Due from other governments	83,031	-	83,031
Interfund balances	4,388	(4,388)	-
Inventories	-	3,800	3,800
Prepaid expenses	6,428	-	6,428
Capital assets, net of accumulated depreciation	270,573	-	270,573
<b>Total assets</b>	<b>1,772,854</b>	<b>2,201</b>	<b>1,775,055</b>
<b>Liabilities</b>			
Accounts payable	20,185	144	20,329
Salaries and benefits payable	70,336	7,113	77,449
Deferred revenue:			
Succeeding year property tax	817,522	-	817,522
Other	18,057	38	18,095
ISCAP warrants payable	164,000	-	164,000
ISCAP accrued interest payable	56	-	56
ISCAP premium	3,175	-	3,175
<b>Total liabilities</b>	<b>1,093,331</b>	<b>7,295</b>	<b>1,100,626</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	270,573	-	270,573
Restricted for:			
Categorical funding	30,294	-	30,294
Management levy	64,961	-	64,961
Physical plant and equipment levy	33,761	-	33,761
Sales tax capital projects	75,299	-	75,299
Other special revenue purposes	6,869	-	6,869
Unrestricted	197,766	(5,094)	192,672
<b>Total net assets</b>	<b>679,523</b>	<b>(5,094)</b>	<b>674,429</b>

LIVERNE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

<b>Functions/Programs</b>	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	413,873	26,517	75,219	-
Special	180,402	29,303	4,410	-
Other	65,306	6,385	21,204	-
	<u>659,581</u>	<u>62,205</u>	<u>100,833</u>	<u>-</u>
Support services:				
Student	204	-	-	-
Instructional staff	5,574	-	-	-
Administration	197,862	21,825	-	-
Operation and maintenance of plant	123,394	-	-	-
Transportation	96,455	-	644	-
	<u>423,489</u>	<u>21,825</u>	<u>644</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	670	-	-	-
Long-term debt interest	3,177	-	-	-
AEA flowthrough	35,154	-	35,154	-
Depreciation (unallocated)*	12,498	-	-	-
	<u>51,499</u>	<u>-</u>	<u>35,154</u>	<u>-</u>
Total governmental activities	1,134,569	84,030	136,631	-
Business type activities:				
Non-instructional programs:				
Food service operations	65,586	10,549	21,948	-
Total	<u>1,200,155</u>	<u>94,579</u>	<u>158,579</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				
Transfers				
Total general revenues and transfers				

**Change in net assets**

Net assets beginning of year

Net assets end of year

\*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(312,137)	-	(312,137)
(146,689)	-	(146,689)
(37,717)	-	(37,717)
(496,543)	-	(496,543)
(204)	-	(204)
(5,574)	-	(5,574)
(176,037)	-	(176,037)
(123,394)	-	(123,394)
(95,811)	-	(95,811)
(401,020)	-	(401,020)
(670)	-	(670)
(3,177)	-	(3,177)
-	-	-
(12,498)	-	(12,498)
(16,345)	-	(16,345)
(913,908)	-	(913,908)
-	(33,089)	(33,089)
(913,908)	(33,089)	(946,997)
765,593	-	765,593
23,674	-	23,674
43,681	-	43,681
58,875	-	58,875
196,633	-	196,633
1,061	-	1,061
1,089,517	-	1,089,517
(20,000)	20,000	-
1,069,517	20,000	1,089,517
155,609	(13,089)	142,520
523,914	7,995	531,909
679,523	(5,094)	674,429

## LIVERNE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	166,597	-	166,597
Other	194,335	192,397	386,732
Receivables:			
Property tax:			
Delinquent	12,328	1,188	13,516
Succeeding year	732,293	85,229	817,522
Accounts	23,144	-	23,144
Accrued interest - ISCAP	21	-	21
Prepaid expense	6,428	-	6,428
Interfund receivable	25,918	-	25,918
Due from other governments	73,841	9,190	83,031
	<u>1,234,905</u>	<u>288,004</u>	<u>1,522,909</u>
<b>Total assets</b>	<b><u>1,234,905</u></b>	<b><u>288,004</u></b>	<b><u>1,522,909</u></b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	19,259	355	19,614
Salaries and benefits payable	70,336	-	70,336
Interfund payable	-	21,530	21,530
ISCAP warrants payable	164,000	-	164,000
ISCAP accrued interest payable	56	-	56
ISCAP premium	3,175	-	3,175
Deferred revenue:			
Succeeding year property tax	732,293	85,229	817,522
Income surtax	38,253	-	38,253
Other	18,057	-	18,057
Total liabilities	<u>1,045,429</u>	<u>107,114</u>	<u>1,152,543</u>
Fund balances:			
Reserved for:			
Categorical funding	30,294	-	30,294
Unreserved reported in:			
General fund	159,182	-	159,182
Special revenue funds	-	105,591	105,591
Capital projects funds	-	75,299	75,299
Total fund balances	<u>189,476</u>	<u>180,890</u>	<u>370,366</u>
<b>Total liabilities and fund balances</b>	<b><u>1,234,905</u></b>	<b><u>288,004</u></b>	<b><u>1,522,909</u></b>

## LIVERNE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	370,366
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	270,573
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	38,253
An internal service fund is used by the District's management to charge the costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	<u>331</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>679,523</u></u>

## LIVERNE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

	General Fund \$	Nonmajor Governmental Funds \$	Total \$
Revenues:			
Local sources:			
Local tax	758,691	128,228	886,919
Tuition	50,720	-	50,720
Other	23,872	10,499	34,371
State sources	292,261	-	292,261
Federal sources	41,003	-	41,003
Total revenues	<u>1,166,547</u>	<u>138,727</u>	<u>1,305,274</u>
Expenditures:			
Current:			
Instruction:			
Regular	394,362	12,293	406,655
Special	180,402	-	180,402
Other	59,967	5,339	65,306
	<u>634,731</u>	<u>17,632</u>	<u>652,363</u>
Support services:			
Student	204	-	204
Instructional staff	5,574	-	5,574
Administration	194,742	2,484	197,226
Operation and maintenance of plant	107,470	14,874	122,344
Transportation	72,382	6,972	79,354
	<u>380,372</u>	<u>24,330</u>	<u>404,702</u>
Other expenditures:			
Facilities acquisition	-	77,863	77,863
Long-term debt:			
Principal	-	45,065	45,065
Interest and fiscal charges	-	3,572	3,572
AEA flowthrough	35,154	-	35,154
	<u>35,154</u>	<u>126,500</u>	<u>161,654</u>
Total expenditures	<u>1,050,257</u>	<u>168,462</u>	<u>1,218,719</u>
Excess (deficiency) of revenues over (under) expenditures	<u>116,290</u>	<u>(29,735)</u>	<u>86,555</u>
Other financing sources (uses):			
Operating transfers in	-	48,637	48,637
Operating transfers out	(20,000)	(48,637)	(68,637)
Total other financing sources (uses)	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Net change in fund balances	96,290	(29,735)	66,555
Fund balances beginning of year	93,186	210,625	303,811
Fund balances end of year	<u>189,476</u>	<u>180,890</u>	<u>370,366</u>

LIVERNE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2009

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		66,555
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense and loss on disposal of capital assets in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:</p>		
Loss on disposal of capital assets	(120)	
Expenditures for capital assets	77,193	
Depreciation expense	<u>(39,012)</u>	38,061
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		4,904
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		45,065
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		395
An internal service fund is used by the District's management to charge the costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>629</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>155,609</u></u>

## LUVERNE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Enterprise Fund	Governmental Activities - Internal Service Fund
	School Nutrition	Service Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	2,649	902
Accounts receivable	140	-
Inventories	3,800	-
	<u>6,589</u>	<u>902</u>
<b>Total assets</b>		
<b>Liabilities</b>		
Accounts payable	144	571
Interfund payable	4,388	-
Salaries and benefits payable	7,113	-
Deferred revenue	38	-
	<u>11,683</u>	<u>571</u>
<b>Total liabilities</b>		
<b>Net assets</b>		
Unrestricted	<u>(5,094)</u>	<u>331</u>

## LUVERNE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2009

	Enterprise Fund	Governmental Activities - Internal Service Fund
	School Nutrition	Service Fund
	\$	\$
Operating revenues:		
Local sources:		
Charges for service	10,549	8,262
Operating expenses:		
Non-instructional programs:		
Salaries	32,945	-
Benefits	12,607	7,633
Purchased services	3,138	-
Supplies	16,269	-
Depreciation	627	-
Total operating expenses	65,586	7,633
Operating gain (loss)	(55,037)	629
Non-operating revenues:		
State sources	369	-
Federal sources	21,579	-
Total non-operating revenues	21,948	-
Gain (loss) before transfers	(33,089)	629
Transfers in	20,000	-
Change in net assets	(13,089)	629
Net assets beginning of year	7,995	(298)
Net assets end of year	(5,094)	331

## LUVERNE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Enterprise Fund	Governmental Activities - Internal Service Fund
	School Nutrition	Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	10,658	-
Cash received from other services	-	8,262
Cash payments to employees for services	(45,181)	(7,641)
Cash payments to suppliers for goods or services	(15,897)	-
Net cash (used) provided by operating activities	<u>(50,420)</u>	<u>621</u>
Cash flows from non-capital financing activities:		
Loan from (repaid to) General Fund	4,388	-
Transfers from General Fund	20,000	-
State grants received	369	-
Federal grants received	17,949	-
Net cash provided by non-capital financing activities	<u>42,706</u>	<u>-</u>
Cash flows from capital and related financing activities	-	-
Cash flows from investing activities	-	-
Net increase (decrease) in cash and cash equivalents	(7,714)	621
Cash and cash equivalents at beginning of year	<u>10,363</u>	<u>281</u>
Cash and cash equivalents at end of year	<u><u>2,649</u></u>	<u><u>902</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(55,037)	629
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	3,630	-
Depreciation	627	-
Decrease (increase) in inventories	(264)	-
Decrease (increase) in accounts receivable	201	-
(Decrease) increase in accounts payable	144	(8)
(Decrease) increase in salaries and benefits payable	371	-
(Decrease) increase in deferred revenue	(92)	-
Net cash (used) provided by operating activities	<u>(50,420)</u>	<u>621</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received \$3,630 of federal commodities.

## LIVERNE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2009

	<u>Agency</u>
	\$
<b>Assets</b>	
Cash and pooled investments	377
<b>Liabilities</b>	
Other payables	<u>377</u>
<b>Net Assets</b>	<u><u>-</u></u>

# LUVERNE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### 1. Summary of Significant Accounting Policies

LuVerne Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of LuVerne, Iowa and the predominately agricultural territory in a portion of Kossuth and Humboldt Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, LuVerne Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The LuVerne Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's medical insurance deductible reimbursement plan and its employee benefit flex plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year.

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The District exceeded its budget in the non-instructional programs and other expenditures functions.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

### 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount \$
General Fund	Nonmajor governmental – Management Fund	21,530
General Fund	Enterprise – School Nutrition Fund	4,388

### 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount \$
Enterprise - School Nutrition Fund	General Fund	20,000
Nonmajor Governmental - Debt Service	Nonmajor Governmental - Capital Projects	48,637

The General Fund transferred \$20,000 to the School Nutrition Fund to subsidize the food service operation. The transfer from Capital Projects to Debt service was for debt service payment.

### 5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2009-10A	6/25/09	6/23/10	166,597	21	164,000	56

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2009-10A	2.500	0.902

## 6. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	9,000	-	-	9,000
Capital assets being depreciated:				
Buildings	490,836	67,452	-	558,288
Improvements other than buildings	73,680	-	-	73,680
Furniture and equipment	517,655	9,741	2,726	524,670
Total capital assets being deprec.	<u>1,082,171</u>	<u>77,193</u>	<u>2,726</u>	<u>1,156,638</u>
Less accumulated depreciation for:				
Buildings	442,583	5,436	-	448,019
Improvements other than buildings	7,400	7,062	-	14,462
Furniture and equipment	408,676	26,514	2,606	432,584
Total accumulated depreciation	<u>858,659</u>	<u>39,012</u>	<u>2,606</u>	<u>895,065</u>
Total capital assets being depreciated, net	<u>223,512</u>	<u>38,181</u>	<u>120</u>	<u>261,573</u>
Governmental activities capital assets, net	<u>232,512</u>	<u>38,181</u>	<u>120</u>	<u>270,573</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	29,213	-	-	29,213
Less accumulated depreciation	<u>28,586</u>	<u>627</u>	-	<u>29,213</u>
Business type activities capital assets, net	<u>627</u>	<u>(627)</u>	<u>-</u>	<u>-</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	7,847
Support services:	
Administration services	636
Operation and maintenance of plant services	930
Transportation	17,101
	26,514
Unallocated depreciation	12,498
Total depreciation expense – governmental activities	39,012
Business type activities:	
Food services	627

## 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital Lease	45,065	-	45,065	-	-
Termination Benefits	-	10,765	10,765	-	-
Total	45,065	10,765	55,830	-	-

### Termination Benefits

The District offered a voluntary early retirement plan for employees in fiscal year 2009. The plan was only offered to employees for one year. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy.

Early retirement benefits equaled \$8,000 plus \$20 per day for unused sick leave days.

The benefits were paid in June of the year of retirement.

## 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$34,641, \$32,936 and \$32,145 respectively, equal to the required contributions for each year.

## 9. Risk Management

Luverne Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$35,154 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 11. Lease Commitment

The District entered into a 63 month operating lease for copy machines in November 2004. The payments the District will make over the next year are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Lease Payment</u>
2010	\$ 5,124

The District paid \$8,784 of rent in fiscal year 2009.

REQUIRED SUPPLEMENTARY INFORMATION

LUVERNE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	972,010	10,549	982,559	980,318	980,318	2,241
State sources	292,261	369	292,630	259,558	259,558	33,072
Federal sources	41,003	21,579	62,582	51,500	51,500	11,082
Total revenues	<u>1,305,274</u>	<u>32,497</u>	<u>1,337,771</u>	<u>1,291,376</u>	<u>1,291,376</u>	<u>46,395</u>
Expenditures/Expenses:						
Instruction	652,363	-	652,363	1,096,585	1,096,585	444,222
Support services	404,702	-	404,702	634,765	634,765	230,063
Non-instructional programs	-	65,586	65,586	12,756	12,756	(52,830)
Other expenditures	161,654	-	161,654	95,718	125,000	(36,654)
Total expenditures/expenses	<u>1,218,719</u>	<u>65,586</u>	<u>1,284,305</u>	<u>1,839,824</u>	<u>1,869,106</u>	<u>584,801</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	86,555	(33,089)	53,466	(548,448)	(577,730)	631,196
Other financing sources (uses) net	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>(1,000)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	66,555	(13,089)	53,466	(547,448)	(576,730)	630,196
Balance beginning of year	<u>303,811</u>	<u>7,995</u>	<u>311,806</u>	<u>241,488</u>	<u>241,488</u>	<u>70,318</u>
Balance end of year	<u><u>370,366</u></u>	<u><u>(5,094)</u></u>	<u><u>365,272</u></u>	<u><u>(305,960)</u></u>	<u><u>(335,242)</u></u>	<u><u>700,514</u></u>

LUVERNE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$29,282.

During the year ended June 30, 2009 expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## LIVERNE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Sales Tax	
	\$	\$	\$	\$	
Cash and pooled investments	85,634	6,922	33,732	66,109	192,397
Receivables:					
Property tax:					
Delinquent	857	-	331	-	1,188
Succeeding year	65,000	-	20,229	-	85,229
Due from other governments	-	-	-	9,190	9,190
<b>Total assets</b>	<b>151,491</b>	<b>6,922</b>	<b>54,292</b>	<b>75,299</b>	<b>288,004</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	53	302	-	355
Interfund payables	21,530	-	-	-	21,530
Deferred revenue:					
Succeeding year property tax	65,000	-	20,229	-	85,229
Total liabilities	<u>86,530</u>	<u>53</u>	<u>20,531</u>	<u>-</u>	<u>107,114</u>
Fund balances:					
Unreserved reported in:					
Special Revenue Funds	64,961	6,869	33,761	-	105,591
Capital Projects Funds	-	-	-	75,299	75,299
Total fund balances	<u>64,961</u>	<u>6,869</u>	<u>33,761</u>	<u>75,299</u>	<u>180,890</u>
<b>Total liabilities and fund balances</b>	<b>151,491</b>	<b>6,922</b>	<b>54,292</b>	<b>75,299</b>	<b>288,004</b>

## LUVERNE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue Funds			Capital Projects Fund	Debt Service	Total
	Management	Student	Physical	Sales Tax		
	Levy	Activity Fund	Plant and Equipment Levy			
\$	\$	\$	\$	\$	\$	
Revenues:						
Local sources:						
Local tax	45,679	-	23,674	58,875	-	128,228
Other	3,753	6,400	27	319	-	10,499
Total revenues	<u>49,432</u>	<u>6,400</u>	<u>23,701</u>	<u>59,194</u>	<u>-</u>	<u>138,727</u>
Expenditures:						
Current:						
Instruction:						
Regular	12,293	-	-	-	-	12,293
Other	-	5,339	-	-	-	5,339
Support services:						
Administration	924	-	-	1,560	-	2,484
Operation and	14,874	-	-	-	-	14,874
Transportation	6,972	-	-	-	-	6,972
Other expenditures:						
Facilities acquisition	-	-	10,411	67,452	-	77,863
Long-term debt:						
Principal	-	-	-	-	45,065	45,065
Interest and fiscal charges	-	-	-	-	3,572	3,572
Total expenditures	<u>35,063</u>	<u>5,339</u>	<u>10,411</u>	<u>69,012</u>	<u>48,637</u>	<u>168,462</u>
Excess (deficiency) of revenues over (under) expenditures	14,369	1,061	13,290	(9,818)	(48,637)	(29,735)
Other financing sources (uses):						
Operating transfers in	-	-	-	-	48,637	48,637
Operating transfers out	-	-	-	(48,637)	-	(48,637)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,637)</u>	<u>48,637</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	14,369	1,061	13,290	(58,455)	-	(29,735)
Fund balances beginning of year	<u>50,592</u>	<u>5,808</u>	<u>20,471</u>	<u>133,754</u>	<u>-</u>	<u>210,625</u>
Fund balances end of year	<u>64,961</u>	<u>6,869</u>	<u>33,761</u>	<u>75,299</u>	<u>-</u>	<u>180,890</u>

See accompanying independent auditor's report.

## LUVERNE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Juice account	297	737	766	-	268
Athletics	746	2,876	1,714	-	1,908
Vocal music	319	-	-	-	319
Instrumental music	249	381	368	-	262
8th grade	423	236	-	(355)	304
9th grade	1,010	-	-	564	1,574
7th grade	141	-	-	(141)	-
6th grade	68	90	-	(68)	90
Miscellaneous	-	473	-	-	473
Student council	396	1,592	2,005	-	(17)
Interest	1,636	15	-	-	1,651
LEA student incentive	523	-	486	-	37
	<u>5,808</u>	<u>6,400</u>	<u>5,339</u>	<u>-</u>	<u>6,869</u>
Totals					

## LIVERNE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2009

	Faculty Pop	RIF	Total
	\$	\$	\$
Balance beginning of year	396	63	459
Additions	-	-	-
Payments	-	82	82
Balance end of year	<u>396</u>	<u>(19)</u>	<u>377</u>

## LIVERNE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	886,919	781,390	786,301	693,208	659,244	761,027
Tuition	50,720	60,813	92,724	94,148	100,175	71,946
Other	34,371	39,235	69,660	65,372	37,646	44,015
State sources	292,261	289,646	293,275	379,018	334,521	226,221
Federal sources	41,003	90,359	55,897	51,859	74,642	104,779
Total revenues	<u>1,305,274</u>	<u>1,261,443</u>	<u>1,297,857</u>	<u>1,283,605</u>	<u>1,206,228</u>	<u>1,207,988</u>
Expenditures:						
Instruction:						
Regular	406,655	411,557	412,412	522,704	483,556	510,032
Special	180,402	194,646	193,214	145,468	161,298	114,884
Other	65,306	84,178	136,263	79,284	126,573	73,882
Support services:						
Student	204	115	73	190	82	19,748
Instructional staff	5,574	6,070	5,115	5,108	4,474	7,358
Administration	197,226	201,245	188,917	191,452	170,973	158,499
Operation and maintenance	122,344	138,235	131,698	103,980	110,660	129,903
Transportation	79,354	152,980	80,905	65,403	60,513	53,798
Non-instructional programs						
Other expenditures:						
Facilities acquisition	77,863	50,562	18,314	53,444	13,069	18,301
Long-term debt:						
Principal	45,065	23,725	-	-	-	-
Interest and other charges	3,572	-	-	-	-	-
AEA flowthrough	35,154	35,898	36,077	35,904	34,544	31,121
Total expenditures	<u>1,218,719</u>	<u>1,299,211</u>	<u>1,202,988</u>	<u>1,202,937</u>	<u>1,165,742</u>	<u>1,117,526</u>

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
LuVerne Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of LuVerne Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 29, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LuVerne Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of LuVerne Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LuVerne Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects LuVerne Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of LuVerne Community School District's financial statements that is more than inconsequential will not be prevented or detected by LuVerne Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by LuVerne Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-I-A, 09-I-B and 09-I-C are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether LuVerne Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

LuVerne Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit LuVerne Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of LuVerne Community School District and other parties to whom LuVerne Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of LuVerne Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

April 29, 2010

LIVERNE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring procedures to obtain the maximum internal control possible under the circumstances.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

09-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

LUVERNE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements (Continued):

09-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer of the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

LUVERNE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

Recommendation: The certified budget was amended in accordance with Chapter 24.9 of the Code of Iowa but not in an amount large enough to avoid exceeding the budget

District Response: We did amend our budget but year-end expenditures were more than anticipated.

Conclusion: Response accepted.

09-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

09-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

09-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.

09-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

09-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

09-II-G Certified Enrollment: We were unable to test the District's compliance with the regulations covering certified enrollment, because the District could not locate its file with the October 2008 student lists or copies of the certified enrollment forms submitted to the Iowa Department of Education.

Recommendation: The District should maintain copies of all student lists used to determine the number of students reported to the Department of Education for Certified Enrollment. The District should also print out copies of the final certified enrollment reports.

District Response: The October 2008 certified enrollment file was lost when we changed administrators. We will keep copies in the future.

Conclusion: Response accepted.

09-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

LIVERNE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

09-II-I Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

	\$	
Beginning balance		-
Statewide sales and services tax revenue		58,875
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements		<u>58,875</u>
Ending balance		<u><u>-</u></u>

09-II-L Construction Contract Change Orders: We noted that the Board of Directors did not approve change orders.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

LUVERNE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

Conclusion: Response accepted.

09-II-M Interfund loans: On June 16, 2008 the Iowa Department of Education issued a Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1, after each year-end.

We noted that the Management Fund and School Nutrition Fund owe money to the General Fund.

Recommendation: The District should follow the June 16, 2008 Declaratory Order with respect to the interfund loans.

District Response: We will follow the Declaratory Order with respect to interfund loans.

Conclusion: Response accepted.